

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

January 4, 2006

IN RE:)	
)	
NOTICE OF TRANSFER OF CONTROL OF LDMI)	DOCKET NO.
TELECOMMUNICATIONS, INC. D/B/A LDMI)	05-00172
TELECOMMUNICATIONS ALSO D/B/A FONETEL TO)	
TALK AMERICA, INC.)	

ORDER APPROVING TRANSFER

This matter came before Chairman Ron Jones, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on September 26, 2005 for consideration of the *Notice of Transfer of Control of LDMI Telecommunications, Inc. d/b/a LDMI Telecommunications also d/b/a FoneTel* (“*Petition*”) filed on June 28, 2005 by LDMI Telecommunications, Inc. d/b/a LDMI Telecommunications also d/b/a FoneTel (“LDMI”). In the *Petition*, LDMI notified the Authority of LDMI’s proposed transfer of control to Talk America, Inc. (“Talk America”), a telecommunications provider in Tennessee.¹ The proposed transfer requires prior Authority approval pursuant to Tenn. Code Ann. § 65-4-112 (2004).

The *Petition*

Talk America is a Pennsylvania corporation and a wholly owned subsidiary of Talk America Holdings, Inc., a publicly held Delaware corporation. The Tennessee Public Service

¹ Talk America and LDMI later provided verifications affirming that the statements in the *Petition* were true and correct as related to the companies and the proposed transaction

Commission (“TPSC”) granted Talk America a Certificate of Convenience and Necessity (“CCN”) to provide operator services and to resell local and long distance telecommunications services in Tennessee, as set forth in the order dated September 12, 1995 in TPSC Docket No. 95-02758.² Additionally, the TRA granted Talk America a CCN to provide facilities-based local telecommunications services in Tennessee, including exchange access telecommunications services, as set forth in the order dated December 17, 2002 in TRA Docket No. 02-00991.

LDMI is a privately held Michigan corporation. In TPSC Docket No. 95-03298, the TPSC granted LDMI a CCN as an operator services provider and long distance reseller in the State of Tennessee.³

On June 28, 2005, LDMI filed the *Petition* notifying the TRA of the proposed transfer of control that will result from an Agreement and Plan of Merger (“Agreement”) that was signed by LDMI and Talk America on May 23, 2005. Pursuant to the Agreement, Talk America will pay \$24 million in cash and issue 1.8 million shares of common stock in consideration for all issued and outstanding capital stock of LDMI.⁴ As a result of the transaction, LDMI will become a direct, wholly owned subsidiary of Talk America.

According to the *Petition*, LDMI will retain its CCN and its customer base following the transaction. The *Petition* states that LDMI will continue to provide the same services at

² At that time, Talk America was known as Tel-Save, Inc. The TRA later approved the company’s name change to Talk com Holding Corp. d/b/a Network Services of New Hope and also d/b/a The Phone Company by order dated September 14, 1999 in TRA Docket No. 99-00610, and the name change to Talk America, Inc. by order dated January 29, 2003 in TRA Docket No. 01-00410.

³ At that time, LDMI was known as Long Distance of Michigan, Inc. The Authority later approved the company’s name change to Long Distance of Michigan, Inc. d/b/a LDMI Telecommunications also d/b/a FoneTel by order dated May 23, 2000 in TRA Docket No. 00-00336, and the name change to LDMI Telecommunications, Inc. d/b/a LDMI Telecommunications, also d/b/a FoneTel by order dated November 4, 2002 in TRA Docket No. 02-01154.

⁴ The shares of Talk America common stock will be issued only to holders of LDMI’s preferred stock and will not be registered under the Securities Act of 1933.

the same rates, terms and conditions as it did prior to completion of the transaction. Additionally, LDMI affirmed that any future changes in its rates, terms or conditions of service will be made consistent with applicable law and Authority rules.

The September 26, 2005 Authority Conference

Tenn. Code Ann. § 65-4-112 (2004) requires that public utilities obtain TRA approval before merging or consolidating property, rights or franchises with utilities of like character holding CCNs in the State of Tennessee. Tenn. Code Ann. § 65-4-112(a) (2004) provides:

No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights and franchises of any other such public utility of like character shall be valid until approved by the [A]uthority, even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state.

At the regularly scheduled Authority Conference held on September 26, 2005, the panel found that approval of the transaction proposed by LDMI and Talk America is required by Tenn. Code Ann. § 65-4-112 (2004) because the transfer involves a merger of property and LDMI and Talk America are public utilities within Tennessee. The panel noted that the Federal Communications Commission approved the transaction on June 24, 2005. The panel voted unanimously to approve the transaction pursuant to a finding of compliance with Tenn. Code Ann. § 65-4-112 (2004).

IT IS THEREFORE ORDERED THAT:

1. The transfer of control of LDMI Telecommunications, Inc. d/b/a LDMI Telecommunications also d/b/a FoneTel to Talk America, Inc. as described in the *Petition* and discussed herein is approved.

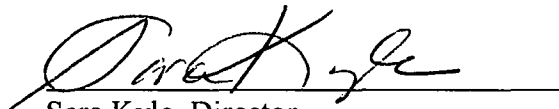
2. Upon completion of the transaction, LDMI and Talk America shall retain their respective CCNs and continue to provide the same services, at the same rates, terms and conditions, as they provided before completion of the transaction.



Ron Jones, Chairman



Pat Miller, Director



Sara Kyle, Director